

# Utah Transportation Funding and Governance Task Force

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# Presentation Overview

- Funding and Financing for the Future
  - TIFIA, PABs
  - Tolling, Mileage Based User Fees
- Partnering with the Private Sector
  - P3s for Roadways
  - P3s for Ports, Transit,
- Capturing Property Values for Transportation
  - Value Capture



# Funding is not Financing

- Funding is the actual revenue needed to build project
- Financing is the means of procuring the revenue
- Most long-term projects should be financed not funded because allows project to use depreciation to pay less over long term



# Current Funding Overview

- Fuel tax is primary funding mechanism
- Fuel tax needs continual increases
  - Example) 2015 the Legislature indexed fuel tax to inflation
  - Example) 2017 the Legislature adjusted index mechanism to kick in sooner
- Fuel tax does not apply to all vehicles equally
  - LNG/CNG pay less, electric pays nothing at all
- Other funding source are supplemental, used for other purposes
  - Sales tax is used mostly for transit
  - Vehicle registration fees provide relatively small amount of revenue



# Current Funding System is Not Sustainable

- Any funding system based on gas tax is slowly dying
  - Example) Gas tax is rock star playing final concert
- Several states have developed ways to extend gas tax
  - Example) Georgia
    - Increased gas tax, indexed to inflation and to CAFÉ standards
    - Added truck registration fee based on weight
    - Added \$200 electric vehicle fee
- Even Georgia's package is short-medium term solution



# New Primary Funding Source Necessary

- Mileage Based User Fee
  - Drivers pay based on miles driven
  - Time-of-day and location options available
    - Example: Higher during rush hour and in urban areas
  - Communication of device is one-way so privacy issues are limited
  - Research underway in CA, NV, OR, WA, I-95 Corridor
  - UDOT is part of and active in the Road User Consortium West



# Recommended Secondary Source

- Tolling
  - Optional express toll lanes (managed lanes, HOT lanes) provide guaranteed travel option when needed
    - Example) Pick up children from daycare, Late for important interview
  - Studies have shown near equal use across socioeconomic spectrum
  - Tolls provide important funding resource
  - Implementable in short-term
    - I-15 has optional toll lanes that could be expanded



# Financing Tools

- Use financing tools when building megaprojects
- TIFIA (Transportation Infrastructure Finance and Investment Act) provides USDOT credit assistance (typically loans) to investment-grade projects
- PABs (Private Activity Bonds) are debt instruments that allow private builders to receive the lower financing costs of tax-exempt bonds



# Policy Recommendations: Funding/Financing

- Research/Enact new long-term funding tool
  - Legislature could authorize the state to conduct a RUC demonstration project in Utah
- Ensure everybody pays equitable share
  - RUC will help
  - Ensure bicyclists pay (tire tax)
  - Short-term need enact electric vehicle fee
- Implement tolling in select corridors
  - Not a solution everywhere, but I-15 HOT lanes could be extended



# Partnering with the Private Sector

- Most DOTs engage in limited partnerships through design-builds (DBs)
  - Same company designs and builds a project
- Public-private partnership (highways: design-build-finance-operate-maintain) or (transit: design-build-operate-maintain) offers more benefits
- P3s not just for highways but for transit, ports
  - Transit P3s in Denver, Los Angeles
  - Port P3s in New York, Baltimore



# Advantages of P3s

- Transfer risk from public to private sector
  - If project costs run over budget or usage/ridership runs below expectations, private sector pays not taxpayers
- Provides a business-like approach
  - I-495 Virginia HOT lanes cost 25% less than state's bid
- Enables innovation
  - Variable-pricing developed by California P3
- Delivers needed transportation infrastructure
- Raises large new source of revenue (Ability to)



# Policy Recommendations: Partnering with the Private Sector

- Explore P3s for all modes of transportation
  - Sometimes private sector has best offer, sometimes it does not
  - States mix/match P3, public procurement depending on projects



# Capturing Value near Transit Investments

- Significantly underused tool for transit investment is value capture
- Value capture provides significant share of funding (20%) of capital costs for rail and bus lines
- Value capture used for Washington Metro Silver Line, NoMa station and Curitiba BRT



# Types of Value Capture Tools

- Land Value Tax/Special Assessment
  - Applied within a set distance of transit property (1/4-1/2 mile)
  - Added to land value (not building value) of property
- Tax Increment Financing
  - Divert future increases in property tax to specific improvements
  - Can be tension with schools, was misused in California
- Impact Fees/Exactions
  - Mitigate conditions caused by new developments
  - Impact fees are direct payments, exaction is government claw-back



# Types of Value Capture Tools (2)

- Air Rights: Development above transit station (limited use)
- Joint-development: Transit station develop concurrently with commercial building (limited use)
- Keys to Value Capture
  - Has to be market case for development
    - New transit line in exurbs not appropriate
  - Property owners must buy-in
    - No exceptions schools, non-profits



# Policy Recommendations: Value Capture

- Enter into/Enact legislation allowing value capture in Utah
- Start with special assessments and TIFs and expand as Value Capture knowledge increases



# Questions

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